



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response... 12.00

BEST AVAILABLE COPY

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-29798

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2007 ENDING December 31, 2007

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Financial Assets Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

30 Wall Street

New York

(City)

(No. and Street)

New York

(State)

10005

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Ellen Kramer

212-269-6720

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LILLING & COMPANY, LLP

(Name - if individual, state last, first, middle name)

10 CUTTER MILL ROAD

(Address)

GREAT NECK

(City)

NY

(State)

11021

(Zip Code)

CHECK ONE

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

SEE
Mail Processing
Section

FEB 25 2008

PROCESSED

MAR 24 2008

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

Washington, DC
100

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the exemption. See section 240.17a-5(e)(2).

Sec 1410 (6-02)

Potential persons who are to respond to the collection of information
contained in this form are not required to respond unless the
form displays a currently valid OMB control number

4/11/08
Am

OATH OR AFFIRMATION

I, David Bottoms, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Financial Assets Corporation

as of

December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

DEIRDRE M. KEAG
Notary Public, State of New York
No. 43-4962879
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Feb. 26, 2010

David Bottoms
Signature
President
Title

Deirdre M. Keag
Notary Public

This Report ** contains (check all applicable boxes):

- ☒ (a) Facing Page
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss)
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of Consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) A report on internal control.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FINANCIAL ASSETS CORPORATION

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

REPORT ON INTERNAL CONTROL

DECEMBER 31, 2007

**SEB
Mail Processing
Section**

FEB 25 2008

**Washington, DC
100**

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Financial Assets Corporation
New York, New York

We have audited the accompanying statement of financial condition of Financial Assets Corporation as of December 31, 2007, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. According, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Financial Assets Corporation as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS
Great Neck, New York

February 6, 2008

Ten Cutter Mill Road, Great Neck, NY 11021-3201 • (516) 829-1099 • Fax (516) 829-1065

FINANCIAL ASSETS CORPORATION

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2007

ASSETS

Cash	\$ 21,046
Due from clearing broker	256,548
Account receivable, related party	718
Prepaid expenses	<u>5,770</u>
	<u>\$ 284,082</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accrued expenses	\$ 9,000
Income taxes payable	<u>23,000</u>
	<u>32,000</u>

Stockholder's equity

Common stock, \$1 par value; 1,000 shares authorized, 83 shares issued and outstanding	83
Paid-in capital	79,600
Retained earnings	<u>172,399</u>
	<u>252,082</u>
	<u>\$ 284,082</u>

See notes to financial statements

FINANCIAL ASSETS CORPORATION

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2007

REVENUES

Commission income	\$ 433,364
Trading and other income	<u>35,000</u>
	<u>468,364</u>

EXPENSES

Payroll and related costs	259,283
Commissions and clearing charges	74,323
Occupancy costs	23,579
Communications	2,576
Other expenses	<u>24,266</u>
	<u>384,027</u>

NET INCOME BEFORE INCOME TAXES 84,337

INCOME TAXES 35,746

NET INCOME \$ 48,591

See notes to financial statements

FINANCIAL ASSETS CORPORATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER, 31 2007

Cash flows from operating activities

Net income	\$ 48,591
Adjustments to reconcile net income to net cash used in operating activities:	
(Increase) decrease in assets:	
Due from clearing broker	(109,445)
Accounts receivable, related party	22,859
Prepaid expenses	559
Increase (decrease) in liabilities:	
Income taxes payable	23,000
Accrued expenses	(575)
Total adjustments	(63,602)

Net cash used in operating activities (15,011)

NET CHANGE IN CASH (15,011)

CASH - BEGINNING 36,057

CASH - END \$ 21,046

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	\$ 575
Income taxes	\$ 20,931

See notes to financial statements

FINANCIAL ASSETS CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY YEAR ENDED DECEMBER 31, 2007

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
<i>Balance - beginning</i>	\$ 83	\$ 79,600	\$ 123,808	\$ 203,491
<i>Net income</i>	<u>-</u>	<u>-</u>	<u>48,591</u>	<u>48,591</u>
<i>Balance - end</i>	<u>\$ 83</u>	<u>\$ 79,600</u>	<u>\$ 172,399</u>	<u>\$ 252,082</u>

See notes to financial statements

FINANCIAL ASSETS CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Financial Assets Corporation (the "Company") is primarily engaged in trading on behalf of its clientele. The Company was organized and incorporated under the laws of the State of Florida. The Company is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities Exchange Commission. The Company, as a non-clearing broker, does not handle customers' funds or securities. There were no liabilities subordinated to claims of general creditors during the year ended December 31, 2007.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the Company to recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. There are no material differences between currently payable income taxes and deferred income taxes.

Securities Transactions and Commissions

Securities transactions are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Securities owned are recorded at current market value. Securities not readily marketable are valued at fair market value as determined by management, which approximates estimated realizable value. Securities not readily marketable include investment securities that cannot be offered or sold because of restrictions applicable to the securities or to the Company.

Significant Credit Risk

The responsibility for processing customer activity rests with Pershing LLC ("Pershing"), a BNY Securities Group Company. The Company's clearing and execution agreement provides that Pershing's credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

FINANCIAL ASSETS CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

In accordance with industry practice, Pershing records customer transactions on a settlement date basis, which is generally three business days after the trade date. Pershing is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case Pershing may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by Pershing is charged back to the Company.

The Company, in conjunction with Pershing, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. Pershing establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

Estimates

Management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates management uses.

2. ACCOUNT RECEIVABLE, RELATED PARTY

The Company was allocated payroll and other expenses from Oaktree Asset Management, LLC, its corporate parent, aggregating approximately \$292,000, which is included in the statement of operations. At December 31, 2007, the Company owed Oaktree \$718, which is non-interest bearing and due on demand.

3. INCOME TAXES

Income tax expense consists of:

Federal	\$18,533
State and local	<u>17,213</u>
	<u>\$35,746</u>

FINANCIAL ASSETS CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

4. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(i). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with Pershing LLC and promptly transmits all customer funds and securities to Pershing LLC. Pershing LLC carries all of the accounts of such customers and maintains and preserves such books and records.

5. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2007, the Company had net capital of \$220,594, which was \$170,594 in excess of its required net capital of \$50,000. The Company had a percentage of aggregate indebtedness to net capital of 15% as of December 31, 2007.

***Supplementary Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934***

As of December 31, 2007

FINANCIAL ASSETS CORPORATION

Schedule 1

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2007****NET CAPITAL**

Stockholder's equity	\$ 252,082
Deductions and/or charges:	
Non-allowable assets	<u>31,488</u>
Net capital before haircuts on securities positions	220,594
Haircuts and undue concentration	<u>-</u>

NET CAPITAL \$ 220,594

MINIMUM NET CAPITAL REQUIREMENT \$ 50,000

**EXCESS OF NET CAPITAL OVER MINIMUM
REQUIREMENTS** \$ 170,594

AGGREGATE INDEBTEDNESS \$ 32,000

**PERCENTAGE OF AGGREGATE INDEBTEDNESS
TO NET CAPITAL** 15%

Reconciliation with the Company's computation (included in Part II of Form
X17A-5) as of December 31, 2007

Net capital, as reported in Company's part II (unaudited) Focus report	\$243,594
Net audit adjustments	<u>(23,000)</u>
Net Capital, per above	<u><u>\$220,594</u></u>

See independent auditors' report

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 (g)(1) FOR A BROKER- DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Board of Directors and Stockholder
Financial Assets Corporation
New York, New York

In planning and performing our audit of the financial statements of Financial Assets Corporation (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of the entity's financial statements that is more that inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, FINRA, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS
Great Neck, New York

February 6, 2008

END